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TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)
SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 01/30/06

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(1) Poll on Koizumi cabinet, Livedoor scandal, economic disparity

TOKYO SHIMBUN (Page 3) (Full)
January 28, 2006

Questions & Answers

(Figures shown in percentage. Parentheses denote the results of the last survey conducted Dec. 3-4 last year.)

Q: Do you support the Koizumi cabinet?

Yes	52.9	(57.1)
No	34.3	(33.2)
Don't know (D/K) + no answer (N/A)	12.8	9.7

Q: Livedoor Co. President Takafumi Horie and other executives were arrested on suspicion of violating the Securities Exchange Law. Horie ran in last year's election for the House of Representatives as an independent and was defeated. However, the ruling Liberal Democratic Party's Secretary General Tsutomu

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Takebe and Internal Affairs and Communications Minister Heizo Takenaka backed Horie in his election campaign. The opposition parties are therefore criticizing Prime Minister Junichiro Koizumi and the LDP as having moral responsibility. Do you think they have moral responsibility?

Yes	31.7
No	33.5
Can't say which	33.9
D/K+N/A	0.9

Q: What do you think about the Koizumi cabinet's structural reform drive, such as pushing for market mechanisms and deregulations? Pick only one from among those listed below.

Push further	29.7
Go on at present pace	15.1
Review	50.6
D/K+N/A	4.6

Q: There is also another scandal in which an architect has been accused of falsifying earthquake-resistance data for a number of buildings. In addition, the government, which recently called off Japan's ban on US beef, has reimposed the ban on US beef due to the discovery of specified risk materials in air shipments from the United States. These issues, as well as the Livedoor scandal, are referred to as negative factors that show the "shadow" of the Koizumi cabinet's structural reforms. There is an argument pursuing the Koizumi cabinet's responsibility for these problems. Do you think the Koizumi cabinet is responsible? Pick only one from among those listed below.

Yes	28.2
No	31.4
Can't say which	39.2
D/K+N/A	1.2

Q: Livedoor is accused of foul trading and other irregular practices on the stock market. What do you think is most important for appropriate trading on the stock and financial

markets? Pick only one from among those listed below.

Strengthen market rules, oversight	27.3
Change the current money game trend	27.5
Improve business, corporate morals	29.6
No change needed in particular	5.7
Other answers (O/A)	0.5
D/K+N/A	9.4

Q: What do you think is the most important role for business corporations? Pick only one from among those listed below.

Make profits for growth	4.2
Pay enough, protect the livelihood of employees	29.6
Raise stock prices, dividends for stockholders	3.2
Develop new useful technologies, products	31.2
Contribute to local communities	
for cultural development, etc.	28.0
O/A	0.3
D/K+N/A	3.5

Q: There are the so-called groups of winners and losers with

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their income and other disparities expanding according to their ability or job. Do you think such disparities have expanded? Pick only one from among those listed below.

Yes	75.0
No	18.9
D/K+N/A	6.1

Q: What do you think about income gaps resulting from ability and job? Pick only one from among those listed below.

Very acceptable	9.3
Somewhat acceptable	70.2
Not very acceptable	16.6
Not acceptable at all	1.7
D/K+N/A	2.2

Polling methodology: The survey was conducted (by Kyodo News Service) over a period of two days, Jan. 26-27, on a random digit dialing (RDD) basis. The computer-aided RDD methodology, which makes and puts out telephone numbers at random for polling, can survey those who do not have their telephone numbers listed in telephone directories. Among those randomly generated telephone numbers, those actually for household use with one or more eligible voters totaled 1,457. Answers were obtained from 1,007 persons.

(2) Poll: Half the public urge Koizumi cabinet to review structural reforms; 75% actually feel disparity

TOKYO SHIMBUN (Page 1) (Abridged)
January 28, 2006

According to findings from a telephone-based spot nationwide public opinion survey conducted by Kyodo News on Jan. 26-27 in the wake of the arrest of Takafumi Horie, former president of Livedoor Co., Ltd., 50.6% of respondents insisted that the Koizumi cabinet should review its structural reform drive, such as pushing for market mechanisms and deregulations. In addition, 75.0% answered that the nation's economic disparity-typified by the so-called groups of winners and losers-was expanding. The poll showed that Japan was becoming a society of disparity.

The approval rating for the cabinet of Prime Minister Junichiro Koizumi was 52.9%, down 4.2 percentage points from the last survey taken in December last year. The disapproval rating was 34.3%, up 1.1 points. There were also negative factors to the Koizumi cabinet. In last year's election for the House of Representatives, the ruling Liberal Democratic Party's Secretary General Tsutomu Takebe and a minister of the Koizumi cabinet backed Horie, who was recently arrested in the Livedoor scandal. There is also another scandal in which an architect has been

accused of falsifying earthquake-resistance data for a number of buildings. In addition, the government, which recently called off its ban on US beef, has reimposed the ban on US beef due to the discovery of risk materials in air shipments from the United States. In the survey, those in support of the Koizumi cabinet were asked why. In the breakdown of their reasons for support, the proportion of those picking "that is because something can be expected of political reforms" decreased 5.2 points. Among those not supporting the Koizumi cabinet, the proportion of those saying "that is because nothing can be expected of political forms" was up 6.6 points.

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In the survey, respondents were asked if they thought Takebe and others who backed Horie in his election campaign have moral responsibility. In response to this question, "yes" accounted for 31.7% and "no" at 33.5%, with 33.9% saying they can't say which. The Livedoor scandal is referred to as a "shadow" or negative factor of the Koizumi cabinet's reform initiative. When it comes to whether the Koizumi cabinet is responsible for it, public opinion was split, with "yes" accounting for 28.2%, "no" at 31.4%, and "can't say which" at 39.2%.

(3) New China News Agency criticizes Aso's argument on Yasukuni issue as "representing extreme right-wingers' position"

TOKYO SHIMBUN (Page 3) (Full)
January 30, 2006

Toru Shiraishi, Beijing

Foreign Minister Taro Aso expressed his expectations in his statement yesterday for the Emperor to visit Yasukuni Shrine. In reaction, the New China News Agency criticized Aso's argument as "representing the position of Japanese extreme right-wingers."

The Chinese government-run news agency reported on the details of the speech delivered by Aso in Nagoya. It noted as follows under the headline: "The Japanese foreign minister inappropriately encourages a visit to Yasukuni Shrine by the Emperor:"

"The prime minister's visits to Yasukuni Shrine reflect his inability to squarely face his country's past military aggression as a major political issue. The foreign minister has added his sophistry."

(4) SDP head Fukushima: Aso's argument on Yasukuni issue is extremely controversial

TOKYO SHIMBUN (Page 3) (Full)
January 30, 2006

In a press conference delivered yesterday in the village of Kusu in Oita Prefecture, Social Democratic Party (SDP) head Mizuho Fukushima criticized Foreign Minister Taro Aso for recently saying that a visit to Yasukuni Shrine by the Emperor was desirable. She said:

"He does not understand at all the problems caused by Prime Minister Koizumi's visits to Yasukuni Shrine, as well as the issue of separation of politics from region. His remark is extremely controversial."

Fukushima added:

"Why has the emperor refrained from visiting Yasukuni Shrine since 1975? I think that the emperor might be judging that a visit by himself to the shrine might be seen as support for Japan's aggressive war and glorifying the war. It would send the wrong political message, so I think the emperor should not go."

(5) Minshuto head Maehara calls for Agriculture Minister Nakagawa to resign

NIHON KEIZAI (Page 1) (Full)

Evening, January 30, 2006

This morning, Agriculture Minister Shoichi Nakagawa stated that the ministry had not inspected local sites prior to the resumption of US beef imports, adding that the ministry's response was "not carried out as the Cabinet had decided; I take responsibility." On hearing the reply, Minshuto (Democratic Party of Japan) President Seiji Maehara called for Nakagawa to resign, saying: "It is only natural that he resign. We won't stop there, but will pursue the responsibility of the entire cabinet." He was speaking to the press corps in the Diet.

(6) No inspection before making decision on second resumption of US beef imports, agriculture minister says, revealing discrepancy in previous written government reply

MAINICHI (Page 1) (Full)
Evening, January 30, 2006

By Takashi Sudo

At a meeting this morning of the Lower House Budget Committee, Agriculture Minister Shoichi Nakagawa referred to the US beef shipment to Japan containing specified risk materials, revealing that the government in its written reply approved by a cabinet meeting had stated that a fact-finding inspection would be conducted before beef imports restart, but that in fact, such an inspection was actually to be conducted after beef imports resumed. Nakagawa offered an apology. In the same committee meeting that reopened in the afternoon, Nakagawa explained:

"Before resuming beef imports, we cannot judge whether US plants are appropriate or not. This does not depart from the written government reply's spirit of defending food safety. We do not make it a condition for the resumption of imports to conduct a fact-finding inspection."

In reaction to Nakagawa, the largest opposition party Minshuto's (Democratic Party of Japan) President Seiji Maehara has demanded the removal of Nakagawa from the post. The government's stance might turn into a political issue.

According to the agriculture minister's reply, the government in its cabinet meeting in last November approved a written reply saying that it is necessary to send Japanese inspectors to the United States before resuming US beef imports in order to conduct a fact-finding inspection of US slaughterhouses that will ship beef to Japan." But it was Dec. 13, the day after the decision was made on Dec. 12 to resume US beef imports, when the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Health, Labor and Welfare actually sent inspectors to the US.

Nakagawa in his morning replies apologized: "No fact-finding inspection was carried out before the resumption of beef imports. I apologize for the discrepancy between the written reply and the facts. I will consider ways to take responsibility." In his afternoon replies, however, he slightly modified his remarks made earlier, by saying: "After the written reply was approved, the situation changed. I am sorry for not informing the Diet of (a policy change)."

While some in Japan point out that under US pressure, the government made a hasty decision on the resumption of US beef

imports, the agriculture minister has now exposed the clumsiness of the government response. Maehara told reporters: "The Koizumi cabinet has insisted that the US is responsible for the (inclusion of specified risk materials in beef shipments to Japan). Given this, the Koizumi cabinet bears a great responsibility. I will pursue its responsibility exhaustively."

(7) Muroran announces 2 US warships' visit; Mayor can't refuse port call under current regime

MURORAN MIMPO (Page 1) (Full)
January 27, 2006

Two US naval vessels belonging to the US Navy's 7th Fleet will enter the port of Muroran in early February, the municipal government of Muroran City said yesterday. Their port call is for a goodwill and friendship visit. The municipal government refused their proposed use of berths in Muroran port against the backdrop of incidents such as the arrest of a US serviceman for his alleged murder of a Japanese woman in Yokosuka. However, the Foreign Ministry, citing the Japan-US Status of Forces Agreement, told the city government that their proposed use of facilities could not be restricted for emotional reasons. The city and the Hokkaido government will request the US consulate general in Sapporo early next week to consider the safety of citizens.

The two incoming US warships are the USS Chancellorsville, a 10,000-ton guided missile cruiser, and the USS Blue Ridge, a 19,200-ton flagship. The two vessels have a total crew of 1,100-1,200 on board. The Foreign Ministry says the two vessels are loaded with no nuclear weapons. A total of 38 foreign naval vessels have entered port since October last year.

The municipal government was notified of the two US warships' planned port call on Jan. 19 through the Japan Coast Guard. The city reported available berths before the Jan. 25 time limit to respond.

The Blue Ridge's captain plans to host a deck reception. However, the municipal government decided not to attend the reception. The municipal government will not greet the two vessels upon their arrival and will not be a scener setter for their crew and citizens.

"There was such an incident, so this is not an appropriate time," Muroran Mayor Masashi Shingu commented. "I requested that the visit should be called off. However, we cannot refuse their port entry under the current institution, so I have arranged berths," the mayor said, adding: "I will request them to consider the safety of citizen."

Both the Chancellorsville and the Blue Ridge are homeported at Yokosuka. The Chancellorsville, which will visit Muroran for the first time, will come from Yokosuka and arrive in Muroran port at 9 a.m., on Feb. 3. The cruiser will anchor at Berth 5 on Sakimori Dock and will leave port at 9 a.m., on Feb. 3. It is of 10.3 meters draft with an overall length of 172.8 meters and a width of 16.8 meters. Its crew total about 850 (sic).

The Blue Ridge, coming around from Nagoya, will enter port at 10 a.m., on Feb. 6. The flagship will arrive at Berth 6 on the same dock and will leave port at 10 a.m., on Feb. 10. It will visit Muroran for the third time. It is 193.6 meters long from stem to

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stern and 32.9 meters wide, drawing 8.8 meters, with a total crew of about 300 on board (sic).

(TN: the crew numbers for the two ships have been reversed by the reporter. The Chancellorsville has 300; the Blue Ridge has about 850 crewmembers.)

(8) Personnel changes in Defense Agency: Defense policy bureau deputy chief replaced due to dispute with vice minister on realignment of US forces in Japan

SANKEI (Page 5) (Excerpts)
January 30, 2006

Chisato Yamauchi, deputy director general of the Defense Policy Bureau, has been dismissed in effect and named vice president of the National Defense Medical College as of today. Yamauchi has been the official in charge of negotiations with the US

government on the realignment of US forces in Japan. The rumor was that he had been criticized for his propensity toward secrecy and that he was at odds with top defense officials. The director general of the Naha Regional Defense Facilities Administration was also replaced. The Defense Agency has conducted senior personnel changes with an eye on a final report on the realignment of US forces in Japan.

The Defense Policy Bureau deputy director general post was set up in May 2003. Yamauchi assumed the post in August 2003. About three months later, the governments of Japan and the United States began talks on the realignment issue. Yamauchi engaged in negotiations with Deputy Assistant Secretary of Defense Lawless and formulated an interim report.

In addition to a dispute between Yamauchi and Vice Minister Takemasa Moriya and other mainstream defense officials, Yamauchi's way of handling the talks came under criticism. A senior uniformed officer commented: "Since he worked for many years in the intelligence field, he was too cautious about leaking information. So he did not disclose the contents of the talks to other officials."

When Japan and the US locked horns over a plan to relocate the US Marine Corps' Futenma Air Station to a landsite or to an offshore airfield. Yamauchi reported to a high Defense Agency official: "The US side will accept Japan's land air-station plan." However the US did not do so. When the high official had another senior official sound out the US side, the senior official made a completely different report from Yamauchi's. A Defense Agency official said, "The top official judged that Mr. Yamauchi had betrayed him."

The removal of Yamauchi from the post was put off even though such an idea had cropped up soon after the interim report was issued last October.

(9) Nago mayoral election: Okinawa should stop depending on central government over bases issues

ASAHI (Page 15) (Full)
January 28, 2006

By Manabu Sato, professor of US politics and local administration at Okinawa International University

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Yoshikazu Shimabukuro, an independent candidate backed by the Liberal Democratic Party and the New Komeito, won the Jan. 22 mayoral election in Nago, Okinawa Prefecture. The main issue of the election was the question of asking voters to accept a plan to relocate the US Marine Corps' Futenma Air Station to the coast of Nago City. What should we think about the result of the mayoral race in which Shimabukuro -- who took a stance of asking the central government to revise the plan and then looking into the revised plan, while opposing the present relocation plan -- defeated the two other candidates, who clearly opposed the relocation plan?

Shimabukuro's triumph is an extremely heavy judgment against the anti-base movement. The anti-base relocation group failed to unify around one candidate and so lost. The number of votes obtained by the two candidates opposing the government's relocation plan was less than that Shimabukuro secured. With an eye on the upcoming mayoral race of Okinawa City in April and the fall gubernatorial election of Okinawa, the anti-relocation group needs to review its campaign strategy.

The Nago mayoral race also presented voters tough choices.

Incumbent Okinawa Gov. Kenichi Inamine, who is also backed by the LDP-New Komeito coalition, has been opposing the relocation plan agreed by the governments of Japan and the United States last October. He backed Shimabukuro in the campaign. Local business circles and the LDP insisted that the acceptance of the

relocation plan would bring about economic promotion measures. The convoluted arrangement perplexed the voters.

As a result, the result of the election sent the wrong message to the central government. After the mayoral race, the view heard in the city that if the government offers a package of promotional measures, the mayor-designate would shift his position to a stance of accepting the relocation plan. Many government officials probably have the same view.

I think the victory of Shimabukuro means that Naha voters expressed "No" to the government's plan, although they still hoped for economic development measures. Shimabukuro clearly expressed during the campaign his opposition to the relocation plan. This fact should not be overlooked.

The relocation plan was formulated in the form of totally ignoring the residents of Nago City following the US military transformation plan. As the US military has stated, elimination of danger of the Futenma Air Station and reducing Okinawa's burden of US military bases are not the main purposes of the relocation plan. Relocating the air station to the coast of Camp Schwab is a plan to build a place to station Marine Corps troops, complete with an air station and a military port -- the nature of which is completely different from that of the Futenma base. The relocation plan also states that 7,000 marines would be cut from Okinawa, but most of the 7,000 are rear-echelon support troops. The functions of operational units will be reinforced. The outcome of the election means that Nago citizens opposed to the plan face a strengthening of the base functions.

Okinawa has been forced to accept the burden of US military bases in return for economic measures. However, Okinawa's industrial infrastructure is still weak and per capital income of Okinawa

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people remains the lowest in the country. Okinawa's habitual reliance on the central government and private companies have grown due to the routine transfer of finances from the central government on the grounds that it shoulders the US military burden. Okinawa should be aware that a package of promotional measures would not bring about a bright future to it.

The US military realignment plan has made it clear that the central government regards Okinawa as a convenient position amid the realignment of Japanese and US forces pushing forward with. In order to create its own future, Okinawa has no choice but to build an equal relationship with the central government, putting an end to the subservient relationship.

The "regional bloc" system or 'doshusei' system aimed at integrating prefectures into broader regional entities would give the prefecture such an opportunity. If Okinawa becomes an independent province as a plan the government is considering, it will have no choice but to be independent. Okinawa should end its dependency by aiming at forming a "self-ruled province" that would be designed to realize an advanced government exceeding the scope of "regional bloc" system that the government is considering.

Okinawa's road to independency appears rocky, but putting an end to its dependency would be more desirable than ruining itself by accepting pocket money from the country. Okinawa must gain its psychological independence.

(10) Bill revising Downtown Revitalization Law gives special treatment to lots vacated by large stores

TOKYO SHIMBUN (Page 3) (Full)
January 30, 2006

The Ministry of Land, Infrastructure and Transport (MLIT) and the Ministry of Economy, Trade and Industry (METI) have decided to submit a bill amending the Downtown Revitalization Law to the current Diet session. The bill - outlined yesterday - gives prefectural governments the authority to designate areas

including districts or shops vacated by large retail stores, like department stores and supermarkets, as "special zones" for being exempted from the complicated store-opening procedures stipulated in the Large-Scale Retail Store Location Law. This is a measure to revitalize downtown districts by drawing in potential store openers.

An increasing number of large-scale stores located in front of stations have been closed down across the nation, but many of the vacated stores have been left undestroyed. By exempting store-opening applicants from the obligation of taking the procedures and facilitating large-store openings, the ministries aims to stop the further drying up of downtown shopping districts across the nation. They hope to enforce the law by the end of this year.

The Large-Scale Retail Store Location Law requires applicants for opening stores with a floor space of 1,000 square meters or larger and local governments concerned to take such procedures as (1) notifying of equipment guidelines and store hours; (2) holding briefings to local communities; and (3) listening to views by prefectural governments concerned from the municipal governments that will be involved in the plans. The law also stipulates that retailers are allowed to open new stores eight

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months after submitting applications for the first time

Under the bill revising the Downtown Revitalization Law, however, these procedures will be exempted in the case of store openings in areas designated as "special zones" by prefectural governments. Upon obtaining agreement on certain conditions from the former retailers, applicants will be allowed to open new stores. But in order to protect the living conditions, they will be required to continue to take environment-protection measures, such as securing a parking lot and a graveyard.

If a municipal government housing a deteriorated downtown district wants the district to be designated as a "special zone," the government will have to draw up a basic central city-invigoration plan including commercial revitalization measures and submit it to the central government. Once the central city-invigoration headquarters, which will be soon set up in the Cabinet Office, endorses the plan, the prefectural government concerned will designate it as a "special zone."

(11) Wavering Japan-US-China relationships (Par 1): US watching Yushukan closely; Distrust growing of Emperor's State perspective and Yasukuni Shrine; China actively lobbying US; US-China "diplomatic honeymoon" progressing

MAINICHI (Pages 1 and 2) (Abridged slightly)
January 30, 2006

Asked about his visits to Yasukuni Shrine, Prime Minister Junichiro Koizumi told the House of Councillors last week, "In the world, China and South Korea are the only countries that criticize my visits to the shrine." Koizumi's answer is correct as far as official statements are concerned. But his view is not true in essence. Subtle changes are seen in the inner workings of the United States, which is Japan's ally today but was its enemy during World War II. The US is not happy with the exhibits and films critical of the Roosevelt administration's Japan policy and the US-led Tokyo War Crimes Tribunal, shown at the war museum, Yushukan, at Yasukuni Shrine.

Prior to his departure from post in February 2005, US Ambassador to Japan Howard Baker called on influential Liberal Democratic Party members, and exchanged views on relations between Japan and China. In the session, Baker, broaching the topic of Yushukan Museum, complained with a wry smile, "The exhibits on display suggest that Japan had won the war."

The renovation of the Yushukan Museum, which started as part of the 130th anniversary of the foundation of Yasukuni Shrine, ended in July 2002. After the renovation, the imperial historical perspective was stressed even further. The museum also openly

presented the view that the US embargo against Japan had forced the latter to go to war with the former and that Japan had simply stood up in defense of itself and for putting an end to the supremacy of the white race. The museum shop carries scores of books critical of China for pursuing Japan's wartime responsibility. Baker, who was nearly 80 at the time, visited the museum in person to confirm what was on display.

On Dec. 7, 2005 (Dec. 8, Japan time), on the 64th anniversary of Japan's bombing of Pearl Harbor, a group of US experts on Asia in Washington invited visiting Minshuto (Democratic Party of Japan) President Seiji Maehara to their breakfast meeting.

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In the meeting, James Kelly, who had served as assistant secretary for East Asian and Pacific affairs until January 2005,

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expressed concern, saying, "The prime minister's visits to Yasukuni Shrine might be taken to mean that he is subscribing to Yushukan's views."

There is no pro-Japan diplomat who does not know the Yushukan Museum. A senior diplomat long served in Tokyo commented to a Mainichi Shimbun reporter in Washington on condition of anonymity:

"The US can wink at a gap in views on history between Japan and China, but Yushukan is something we cannot ignore. We don't think the museum is trying to tell the truth. It is good for the prime minister to pay respects to the war dead. The problem is the relationship with Yushukan."

Former Pentagon Japan desk director Paul Giarra also unloaded his discontent with Yushukan on the Mainichi reporter, saying, "The exhibits are arrogant enough to give the impression that Japan was correct to wage war and they blame other countries for World War II."

Using the word "outrageous," Giarra criticized the prime minister's shrine visits, adding, "Shrine visits might end up isolating not only Japan but also the United States, its ally, in Asia."

President Bush has not criticized Koizumi's Yasukuni visits, but discontent is spreading among US government officials and lawmakers. Although the issue will not jolt the foundation of the alliance with Japan, those who have abstained from commenting on the issue as Japan's domestic matter have begun voicing their irritation. Such a trend has been conspicuous since Koizumi's visit to the shrine last year on its Oct. 17 autumn festival.

On Oct. 20, 2005, three days after Koizumi's fifth annual visit to the shrine, House International Relations Committee Chairman Henry Hyde sent a letter to Ambassador to the US Ryozo Kato, expressing his regret over Koizumi's shrine visits. Hyde, now 81, fought with the Imperial Japanese Army in the Philippines during World War II.

Hyde obviously could not overlook Prime Minister Koizumi's visits to Yasukuni Shrine, which honors the war dead, including Class-A war criminals, although he has sent in the past a letter to Koizumi expressing his gratitude for the Self-Defense Forces mission in Iraq and threw his support behind Japan's efforts to resolve the issue of Japanese abducted by North Korea. During the Nov. 16 Koizumi-Bush summit meeting in Kyoto as well, the two leaders spent the bulk of their talks on relations Japan-China relations, following Bush's question on Koizumi's view on China.

Behind Bush's question lies Washington's view that regards Japan-China relations as the most serious issue in Asia. Fearing that deteriorating relations between the two countries would harm US national interests, the US House plans to hold a public hearing on Japan-China relations as early as March.

Asked about the background of the hearing, a House Secretariat staffer familiar with East Asia affairs said:

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"The Korean Peninsula, Taiwan Strait, India, and Pakistan have been politically and militarily unstable in Asia. But Japan-China relations are a hot topic today. US bonds are now in the hands of Beijing, Shanghai, and Tokyo, and disputes between Japan and China could adversely affect the US as well."

The interests of US business circles obviously lie behind the planned House hearing.

The US Congress' growing interest in Japan-China relations triggered by Koizumi's shrine visits is mainly ascribable to China's lobbying on the US.

Dan Blumenthal of the American Enterprise Institute, a think tank close to the Bush administration, noted: "In the past, when Chinese officials visited the US, they always talked about Taiwan, but today, they lash out at Japan's nationalism, citing the Yasukuni issue."

With business and nationalism entangled with each other, China has been lobbying the US Congress actively.

Last July, the US House rejected legislation to slap sanctions on China. The legislation was designed to enhance the President's authority to allow him to impose sanctions on European firms that have removed the arms embargo against China.

Larry Wortzel of the Heritage Foundation explained: "China is well versed in the circumstances of each US Congressman. Beijing exerts its influence by tactfully using pro-China lawmakers and corporations."

Last June, shortly before the House took the vote, pro-China Representatives launched a US-China working group. A group of organizers, including Mark Kirk and Rick Larsen, visited China early this year to hold talks with Wu Bangguo, chairman of the Standing Committee of the National People's Congress, and others.

Kirk's constituency and its vicinity are a home to Boeing and Motorola, which are eager to break into the Chinese market.

What about Japan's lobbying activities?

The aforementioned Senate staffer has this view:

"Taiwan deserves an A plus and China a B plus. Japan has been too quiet to evaluate. With an increased interest in the US in the Yasukuni issue, Japan has finally began calling Congressional members to its Embassy to hold study sessions."

China's momentum both in the US Congress and administration has been noticeable. During the first Bush administration, Deputy Secretary of State Richard Armitage, the most prominent Japan

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expert in the administration, handled Asia policy. Armitage's successor, Robert Zoellick, has created a high-level arrangement for discussions with China, instead of going along with the Armitage-style Japan-US strategic dialogue.

The second US-China high-level talks took place on Dec. 9, 2005, in Washington. After the talks, Zoellick invited Chinese Vice Foreign Minister Dai Bingguo to the Franklin D. Roosevelt Presidential Library in Hyde Park, New York.

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The memorial library of Roosevelt, who guided the Allies to the victory in WWII and engineered the postwar system by the US,

Russia, Britain, France, and China, reflects a historical perspective that conflicts with that of Yushukan at Yasukuni Shrine. Dec. 9 happened to be just two days after the attack on Pearl Harbor on Dec. 7. The two leaders played up the US-China "diplomatic honeymoon" through their tour of the library titled "Freedom From Fear."

(12) Livedoor shock: Arrest of President Horie; No change in reform drive

NIHON KEIZAI (Page 1) (Excerpts)
January 28, 2006

Commentary by editorial writer Akio Fujii

Interpellation sessions in the regular Diet session started on the day that Takafumi Horie was arrested. In the ruling camp, there had been an atmosphere in which one found it difficult to criticize the Koizumi reform drive, but now voices critical of his reform initiative are beginning to be heard. The key word is "shadow."

New Komeito head Takenori Kanzaki pointed out: "As the structural reforms progress, distortions that can be called their shadow are permeating in Japanese society." Mikio Aoki, head of the Liberal Democratic Party caucus in the House of Councilors also underscored: "Japan might be splitting into bright and dark sides, and the division between the two sides may be widening." Since the LDP supported Horie, when he ran in last year's Lower House election, an increasing number of people have come to regard Horiemon (Horie's nickname) as a product of the Koizumi reform drive. Just then, the Livedoor incident occurred. It appears that dissatisfaction with Koizumi's reform initiative has erupted.

Genuine things will survive

Policy officials should delve in a cool-headed manner into how they might learn lessons from the incident. To begin with, it was not the structural reforms that caused this incident. The problem lies in the delay in reform of the securities market.

While financial and securities administration has shifted emphasis from prior regulations to ex post facto regulations, no sufficient efforts have been made to strengthen the functions of the watchdogs of the market, inducing efforts to secure independence of the Securities and Exchange Surveillance Commission. In strengthening governance by the private sector, which defends the market, it is important to learn lessons from the facts that the Tokyo Stock Exchange's computer order processing system failed and that audit companies were unable to catch on that there were window-dressed settlement accounts, as economic commentator Naoki Tanaka has pointed out.

The words "entrepreneur" and "mergers and acquisitions" (M&A) have become familiar through the battle to buy out Nippon Broadcasting System waged by Livedoor. However, epideictic bogus entrepreneurs are bound to be rooted out. Only genuine entrepreneurs will survive. Young people who want to start up in the real business will find it easier to do so without bogus entrepreneurship.

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The setting up of businesses by individuals and their making profits through originality and ingenuity, even by taking risks, is the source of vitality to the market economy. The rate of newly established companies to the Japanese companies as a whole has increased due to the removal of a ban on the establishment of companies with 1 yen in capital has risen but only to 3.5%, which is only 25% of such a rate in the US (14%).

M&A contributing to industrial reorganization and economic revitalization

Kazuhiko Toyama, managing director of the Industrial

Revitalization Corporation of Japan, said that M&As should not be denied because of the Livedoor incident. He said: "It is necessary to take measures, such as strengthening penalties against securities-related crimes, instead of blaming M&As."

In the US, an AOL and Time Warner merger proposition, which made headlines as the integration of media companies of the century, failed, but Google, a leading search engine, is now trying to forge a capital alliance with AOL. Though all M&A attempts do not end successfully in the US, they are contributing to industrial realignment and economic revitalization.

The 225-issue Nikkei Stock Average on Jan. 27 set a new high since last year, canceling out the Livedoor shock.

The Japan-buying move, which came in shortly after the dissolution of the Lower House last year, reflects expectations from both domestic and foreign investors, who think that the reform drive would further accelerate. What should be done now is not turn a cold shoulder on the market but carry out reform that will let the market function in a sound way. It is necessary to carry out reform that will eliminate loopholes so as to prevent violations and evasions of law.

The reform effort to move services from government to the private sector, such as postal privatization, has just gotten under way. There are a mountain of challenges ahead, such as social security reform to cope with a low birthrate and aging society and regulatory reforms designed to create a small government. It is premature to halt the reform drive, saying there is reform fatigue. Japan's reform efforts should not be allowed to end as a fiasco.

SCHIEFFER